

IOWA NET OPERATING LOSS WORKSHEET

Name _____

S.S. No. _____

Spouse's Name _____

S.S. No. _____

SECTION A

1.	Net Income for loss year 19 ____	1	
2.	Additions to Net Income		
a.	Net Operating Loss claimed from previous year	2a	
b.	Net Capital Loss or Capital Gain Deduction (see instructions)	2b	
c.	Nonbusiness Adjustments to Income	2c	
d.	All federal tax refunds	2d	
e.	Self-employment tax	2e	
3.	Total Additions: Add lines 2a through 2e and enter here	3	
4.	Subtotal: Add line 1 to line 3 and enter here	4	
5.	Deductions from Net Income		
a.	Federal tax payments	5a	
b.	Business deductions included in itemized deductions	5b	
c.	Nonbusiness itemized deductions/adjustments, to the extent of nonbusiness income (see instructions)	5c	
6.	Total subtractions from Net Income: Add lines 5a through 5c and enter here	6	
7.	COMPUTED NOL: Subtract line 6 from line 4 and enter here	7	

SECTION B

Application to Carryback or Carryover Year (NOL is **greater than** taxable income)

8.	Iowa Taxable Income for carryback or carryover year 19 ____	8	
9.	Additions to Iowa Taxable Income		
a.	If applicable, capital loss or capital gain deduction	9a	
b.	If applicable, itemized deductions decrease due to 9a per amended federal return (applies only if a federal NOL is filed)	9b	
10.	Add lines 9a and 9b and enter here	10	
11.	If applicable, increase in Iowa standard deduction (see instructions)	11	
12.	Subtract line 11 from line 10 and enter here	12	
13.	Adjusted Taxable Income: Add Line 8 to Line 12 and enter here	13	
14.	NOL carry forward. Add Line 7 to Line 13 and enter here	14	

SECTION C

Application to Carryback or Carryover Year (NOL is **less than** taxable income)

15.	Net Income for carryback or carryover year 19 ____	15	
16.	NOL deduction less any prior applications	16	
17.	Adjusted Iowa Net: Subtract line 16 from line 15 and enter here	17	
18.	Enter all federal tax refund(s) and self-employment tax	18	
19.	Total: Add line 17 to line 18 and enter here	19	
20.	Deductions		
a.	Federal tax paid	20a	
b.	Itemized deductions per original return or revised standard deduction	20b	
c.	Additional itemized deductions per amended federal return (applies only if a federal NOL is filed)	20c	
21.	Total Subtractions: Add lines 20a through 20c and enter here	21	
22.	TAXABLE INCOME: Subtract line 21 from line 19 and enter here	22	

GENERAL INSTRUCTIONS

Application of Net Operating Loss for Iowa Purposes:

The net operating loss attributable to Iowa is subject to the federal three-year carryback and up to a fifteen-year carryover provision. This loss can be carried back or over to the applicable year as a reduction of the income attributable to Iowa for that year.

A net operating loss may not be carried back or over if the individual was not subject to Iowa income tax in the year of the loss. No part of a net loss incurred outside of Iowa by a nonresident or part year resident may be included in the computation of the Iowa net operating loss.

Election:

If there is both a federal net operating loss and an Iowa net operating loss and an election is made to forego the carryback period for federal purposes, the election is binding for Iowa purposes. The statement of election must be attached to the return at the time of filing.

If a net operating loss occurs for Iowa purposes but not for federal purposes, the loss must be carried back to the three previous years and then forward up to fifteen years. No election to forego the carryback period is allowable.

Classification of Income:

For purposes of identifying business and nonbusiness deductions, refer to the federal guidelines since they are applicable for Iowa net operating loss purposes.

In order to allow nonbusiness deductions, a schedule showing all such nonbusiness deductions must be provided.

Nonbusiness Adjustment to Income:

Nonbusiness adjustments to Income which are most common, but not limited to: IRA, HR-10, early withdrawal penalty, alimony paid, disability income exclusion, civil service annuity exclusion (for tax years prior to 1989), and the partial government pension exclusion for 1989 and 1990.

Capital Gains and Losses Regarding Net Operating Loss Computation:

An individual or other noncorporate taxpayer can deduct nonbusiness capital losses only to the extent of nonbusiness capital gains. Beginning in 1990 Iowa allowed a capital gain deduction on the IA 1040 for certain types of capital gains. For tax years 1990 through 1993 this capital gain deduction is allowed in the computation and

application of the Iowa NOL. Beginning with tax year 1994, any Iowa capital gain deduction must be added back in the computation of the Iowa NOL. Further, when applying an NOL from tax year 1994 or later, the capital gain deduction is not allowed in the carryback or carryover tax year and must be added back to income.

Nonresidents and Part-Year Residents:

In order for nonresidents and part-year residents to carry back or carryover a net operating loss, that loss must be from Iowa sources. There is no authority in Iowa law for the carryback or carryover of an all-source net operating loss.

Nonresident or part-year resident taxpayers should begin calculation of an Iowa net operating loss with their Iowa-source net income from Schedule IA 126. Additions on lines 2a, 2b, and 2c should be made only if these items are allocable to Iowa.

Federal tax refunds (line 2d) need be added only in ratio with the taxpayer's Iowa income percentage in the tax year generating the refund. Self-employment tax (line 2e) is added only to the extent it is deducted on line 5a.

Federal tax payments (line 5a) may be deducted only if the tax payment was directly attributable to Iowa-source income. This would include federal taxes withheld from Iowa-source income, or the amount of additional federal tax paid for a prior year in the current tax year prorated by the Iowa income percentage for the prior year for which the tax was paid.

Entries should be made on lines 5b and 5c only as these items relate directly to income allocated to Iowa on the IA 126.

The Iowa-source net operating loss should be applied to the Iowa-source income on Schedule IA 126 for the carryback/carryover year. This will decrease the Iowa-source net income for that tax year, creating a lower Iowa income percentage, an increase in the nonresident/part-year resident tax credit, and may result in an overpayment for the carryback/carryover tax year.

Contact the Taxpayer Services Section of the Iowa Department of Revenue and Finance if you need assistance in the computation and/or application of a net operating loss. If calling from the Des Moines area or from out of state, call (515) 281-3114. Elsewhere in Iowa or from the Rock Island/Moline or Omaha calling areas, call 1-800-367-3388 (toll free).

LINE-BY-LINE INSTRUCTIONS

LINE 5c. Nonbusiness itemized deductions and nonbusiness adjustments are allowed only to the extent of nonbusiness Iowa income. An itemized deduction schedule (Schedule A) must be attached to the IA 1040X amended return for the loss year when making an itemized deduction entry on this line.

LINE 9a. Your deduction for the excess of capital losses over capital gains is not allowed, and you are not permitted the 60% capital gain exclusion and capital gain deduction for the tax years that the exclusion/deduction applies.

If the loss year in Section A of this worksheet is 1994 or later, then any capital gain deduction must be added back to taxable income.

LINE 9b. If you have filed a federal net operating loss carryback/carryforward for this same year, and due to capital losses or capital gain exclusions in the application year you were required to decrease your medical expense deduction, casualty and theft losses, and miscellaneous deductions, enter the total amount of those decreases on line 9b.

LINE 11. If you claimed the Iowa standard deduction in the carryback/carryforward year and you made an entry on line 9a, you may recalculate your Iowa standard deduction and enter the appropriate increase, if any, on line 11.
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LINE 13-14. If a net operating loss is greater than the adjusted taxable income in a carryback or carryover year, an IA 1040X amended return for the carryback year (IA 1040 for carryover year) must be attached showing no taxable income. The remaining net operating loss on line 14 is to be carried forward to the next tax year.

LINE 20b. Enter the itemized deductions allowed on your original Iowa income tax return or the revised Iowa standard deduction due to line 16. The Iowa standard deduction must be refigured after application of the NOL carryback/carryforward in any year in which the NOL is carried and fully absorbed.

LINE 20c. If you also filed a federal net operating loss carryback claim for this tax year and were allowed to increase your itemized deductions for medical expenses, casualty and theft losses and miscellaneous deductions due to the NOL application, enter the increase in those deductions on line 20c.

LINE 22. Enter this amount directly on the "Taxable Income" line of your IA 1040X and attach this worksheet to the IA 1040X return. No entry is necessary on the IA 1040X return above the "Taxable Income" line in the corrected computation column, but you must continue your amended tax calculation after that line.